MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BIF7104 – INTERNATIONAL FINANCE

(MBA Full Time)

22nd January 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTION TO STUDENT

1. This question paper consist of **THREE (3)** pages (including the cover page).

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1 (50 MARKS)

Does It Matter If China Assumes Global Trade Leadership?

There are a variety of reasons why China is not a threat to the global trade leadership of the United States. They include demographic disadvantages, an unwillingness to make Chinese markets more available to imports, and a reluctance to open up the banking system and promote the yuan as a global reserve currency. These were the conclusions of nearly all respondents to this month's column.

At one time, the Chinese government was taking obvious steps to hold down the value of its currency, triggering a chain reaction that some believe contributed to the Great Recession of 2008. Here's their thinking: Although the depressed value of the yuan increased the cost of raw materials imported by China, it produced a huge flow of manufactured goods from China to this country. A large current account trade deficit for the US followed, with the resulting funds invested by the Chinese government in US Treasury bonds instead of going into increased consumption by Chinese consumers. This depressed global interest rates and encouraged what turned out to be imprudent borrowing (and lending) practices in the world's largest economy.

Since then, labor costs in China have risen to the point where a great deal of the original kind of manufacturing performed there has moved to lower-cost countries. Currency manipulation is thought to have subsided. The current account trade imbalance has shrunk. Chinese consumers are being encouraged to spend more of it. And the leadership of the Chinese government appears to be adopting a new stance concerning free trade, one that appears to be at odds with core beliefs of China's ruling Communist Party.

When President Xi Jinping spoke to the World Economic Forum in Davos recently, according to a report in The New York Times, "He championed free trade and open markets, setting the tone for the week." The facts on the ground seem to support that position. China is overtaking the United States as a trade partner of Latin American countries, for example. The Chinese government/industrial complex (it's hard to sort it out) is buying companies and investing in projects around the world. In the meantime, a populist and nationalist wave has produced a power shift in America. Whether it will lead to the threatened tariffs, border taxes, and renegotiated trade agreements (with an emphasis on bilateral agreements) mentioned by the new administration is still subject to debate. But the tone of utterances by those now in position to influence US trade policy is in distinct contrast to the position of free trade advocates in past administrations.

Source: Harvard Business School, 2nd March 2017

a) What are the impact on China economy after their government hold down the value of its currency? **(20 marks)**

Continued...

b) "China is not a threat to the global trade leadership of the United States." Discuss this statement. **(15 marks)**

c) How does China sustain their high performance in free trade and open markets? **(15 marks)**

QUESTION 2 (25 MARKS)

Discuss the roles of multinational corporations (MNC) in developing countries. **(25 marks)**

QUESTION 3 (25 MARKS)

a) In February 2018, Malaysian and Singaporean authorities said they will jointly work to help establish a cross-border stock trading link between the two neighbours by this year-end as Southeast Asia's two wealthy nations seek to cut costs and boost efficiency in regional share trading.

Discuss the benefits and challenges of cross-border stock trading. **(20 marks)**

b) Why the host country often tends to resist cross-border acquisitions, rather than green field investments? **(5 marks)**

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